



TRUenergy Pty Ltd  
ABN 99 086 014 968

Level 33, 385 Bourke Street  
Melbourne Victoria 3000  
Telephone +61 3 8628 1000  
Facsimile +61 3 8628 1050

enq@truenergy.com.au  
www.truenergy.com.au

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Ms. Sarah Proudfoot  
A/g General Manager Retail Markets  
Australian Energy Regulator (AER)  
GPO Box 520  
Melbourne Vic 3001

By Email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear Ms. Proudfoot

### **Threshold Minimum Amount for Disconnection**

TRUenergy welcomes this opportunity to comment on the minimum amount owing for disconnection under section 116 of the National Energy Retail Rules (NERR)

TRUenergy broadly supports the AER's approach to determining the minimum amount owing for customer disconnection, however the threshold chosen is too high and it should not be published. TRUenergy believes that the AER's proposed approach will lead to higher debt burdens for many customers in financial difficulties and also will lead to higher energy costs for all customers.

#### *The new threshold may lead to higher debts*

Given the low status energy bills have in normal household cost priorities and the suite of consumer protections that are offered under the NERR, the publication of a high threshold amount will further reduce the priority afforded to energy bills for those experiencing financial difficulties and the counsellors assisting them.

Including disconnection and reconnection costs, the actual liability a customer who gets disconnected will face, once reconnected, will usually be over \$400 and in some cases closer to \$500. This debt would be greater than the majority of grants available nationally for customers experiencing difficulties and increases the likelihood that the customer is unable to repay the debt.

#### *The new threshold will increase power bills for all customers*

A systemic step change in bad debt levels will be passed through to customers in an efficient market. Further, if the threshold amount had been \$300, then for those customers disconnected in Victoria<sup>1</sup> for the 2010-11 financial year, retailers would have held a minimum of \$10.4M in arrears, or 45 percent more than under the current Victorian threshold. This calculation is for illustration purposes only and is based solely on the minimum threshold amounts – actual arrears held by retailers prior to disconnecting customers will be far higher. The working capital costs of the increased arrears will also be reflected in higher energy prices for all customers.

#### *Low gas bills over summer must be accounted for*

Gas, in contrast to electricity, will have significantly different amounts owing at different times of year. Especially in Victoria, most summer gas bills will not become the trigger for disconnection if the threshold was set at \$300.00. However in many cases, there will also be a considerably higher

<sup>1</sup> Essential Services Commission Energy Retailers Comparative Performance Report – Customer Service 2010 – 11, Table 4.1 Residential electricity and gas disconnections – Page 27

electricity bill that is also outstanding. By the time the gas account reached the minimum threshold, the total outstanding arrears could easily be over \$1,000. If the intention is to ensure early identification of consumers experiencing difficulties that will not engage with their retailer, and to ensure that the total arrears are kept manageable, setting the threshold too high will inevitably lead to higher levels of total arrears and difficulties in payment of those arrears.

#### *Proposed alternative threshold*

TRUenergy believes that the threshold amount should be set at an equal, or marginally higher, combined value to that of the cost to undertake the activity of disconnection and reconnection for each fuel. In the first instance we recommend a threshold of \$180 as a fixed value. This would ensure that the total amount payable by a disconnected and reconnected consumer does not become excessive and lead to major difficulties repaying the arrears.

The largest single cost for a Victorian customer, incorporating an after hour's reconnection charge, is \$170.37<sup>2</sup> as combined disconnection and reconnection charges in the United Energy area. Using the AER's suggested threshold, the amount payable by the consumer would be at least \$470.37 which we believe is too high.

With a threshold set at \$180 the final arrears that the consumer would be required to pay would not be excessive nor would it be trivial or burdensome for a retailer. The above calculation would of course be required in all jurisdictions based on the mix of fuels and service charges.

#### *Conclusion*

TRUenergy, believes that the threshold amount suggested by the AER will become a greater burden on all consumers than is reasonable. In the circumstances where a consumer is disconnected for non payment, the arrears under the AER's proposal could easily spiral beyond a consumer's control. Bearing in mind that disconnection is the last resort for a retailer and the hardship provisions available, it is likely that those that are disconnected will have not engaged with the retailer and will only engage once disconnected.

If you have any questions please contact me on 03 8628 1484 or via email at [Ross.Evans@truenergy.com.au](mailto:Ross.Evans@truenergy.com.au)

Yours sincerely,

Ross Evans  
Regulatory Manager

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<sup>2</sup> United Energy Distribution – Schedule of Charges for 2011 – United Energy Distribution Commonly Requested Fee Based Alternative Control Services effective 1 January 2011 – Page 10